

<b>CABINET</b>	<b>AGENDA ITEM No. 7</b>
<b>24 NOVEMBER 2014</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
Contact Officer(s):	John Harrison, Executive Director Resources Steven Pilsworth, Head of Strategic Finance	Tel. 452520 Tel. 384564

## **MEDIUM TERM FINANCIAL STRATEGY 2015/16 TO 2024/25**

R E C O M M E N D A T I O N S	
<b>FROM :</b> Cabinet Member for Resources	<b>Deadline date :</b> 14 November 2014
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> <li>1. Note the context for the amended budget process in light of the unprecedented financial challenge the Council faces in setting a balanced budget for 2015/16 (section 5)</li> <li>2. Takes a two phased approach to consultation on formulation of the 2015/16 Budget, publishing the Phase 1 proposals immediately as the basis to seek feedback from Scrutiny and views from all residents, partner organisations, businesses and other interested parties (section 6).</li> <li>3. Convenes on 15<sup>th</sup> December 2014 to consider feedback in order to seek the endorsement of the Council meeting of 17<sup>th</sup> December 2014 to the Cabinet's approach to consultation, savings proposals and plan to implement those proposals at the earliest opportunity.</li> </ol>	

### **1. ORIGIN OF REPORT**

- 1.1 The Cabinet meeting of 22<sup>nd</sup> September 2014 considered a report 'Medium Term Financial Strategy 2015/16 to 2024/25' and within this report considered that it may be necessary to review the budget process and timetable having regard for the comments arising from the cross party budget working group to explore the options to commence consultation at the earliest opportunity.
- 1.2 The corporate management team, Cabinet and the cross party Budget Working Group have explored options to release budget proposals in two stages, enabling views of all residents, partner organisations, businesses and other interested parties to understand the scale of the financial challenge and feedback their views commencing with the first tranche of budget proposals.

### **2. PURPOSE AND REASON FOR REPORT**

- 2.1 This report comes to Cabinet as part of the council's Budget and Policy Framework that requires Cabinet to initiate and propose budget proposals to set a balanced budget for the forthcoming financial year.
- 2.2 The purpose of this report is to:
  - approve the first phase of Cabinet's budget proposals for consultation to contribute towards closing the budget gap of £25m. Subject to Scrutiny feedback and comments from all residents, partner organisations, businesses and other interested parties, Cabinet will recommend budget proposals to Council in December 2014 to implement at the earliest opportunity.

- approve and outline the approach for the remaining budget process.
- outline the financial challenge the council faces in the current financial year and in setting a balanced budget for 2015/16.

2.3 This report is for Cabinet to consider under its Terms of Reference No. 3.2.1 which states to take collective responsibility for the delivery of all strategic Executive functions within the Council's Major Policy and Budget Framework and lead the Council's overall improvement programmes to deliver excellent services.

### 3. **TIMESCALE**

Is this a Major Policy Item/Statutory Plan?	Yes	If Yes, date for relevant Cabinet Meeting	24 November 2014
Date for relevant Council Meeting	17 December 2014	Date for submission to Government department	

### 4. **EXECUTIVE SUMMARY**

4.1 The report outlines the financial position of the Council for 2015/16, as well as Cabinet's approach to tackling the challenge by releasing budget proposals in two phases. The deficit is currently forecast to be £24.8m and the proposals total £16.8m. This leaves a further £8m of budget savings to be brought forward in January 2015 (sections 5 and 6)

4.2 The report also outlines the current 2014/15 budget position indicating a £0.7m overspend. It is imperative that the budget is balanced by the end of the financial year to ensure that the council does not need to use reserves and will look to implement savings agreed in phase one as soon as possible alongside other mitigations identified by the corporate management team (section 7).

### 5. **FINANCIAL POSITION AND BUDGET PROPOSALS**

5.1 The budget proposals must be set in the context of the incredibly challenging financial position that all councils face. Peterborough is no exception to this. Since the financial crash of 2008, the public sector has seen unprecedented reductions in funding. In the five years to 2015/16, the council has seen its government funding cut by £44m, which equates to nearly 40 per cent of its government grant.

5.2 For next year (2015/16) the council will see its government grant reduced by £12.3m. In addition, it faces financial pressures of £12.5million as a result of an increasing demand for services and legal changes. This means we face an enormous challenge of finding nearly £25million of savings and efficiencies to balance our books.

5.3 Cabinet's first tranche of budget proposals accompanies this report and includes both savings and investment. It is intended that these proposals will be scrutinised by members within a shortened timescale for the reasons outlined above and be recommended to Council for consideration and approval during December 2014. However, these proposals will not provide a balanced budget for 2015/16 and it will be necessary for Cabinet to identify and consult on a second tranche of savings commencing January 2015 to deliver the remaining £8m of budget proposals to balance the budget.

	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k
Budget Deficit b/fwd	17,603	22,236	23,593	26,107	28,610
New pressures	7,139	7,078	7,672	8,005	8,488
<b>Budget Deficit - (Expenditure budgets exceed funding estimates)</b>	<b>24,742</b>	<b>29,314</b>	<b>31,265</b>	<b>34,112</b>	<b>37,098</b>
<b>New savings (phase 1)</b>					
Grant income	-1,207	0	0	0	0
Income	-937	-937	-937	-937	-937
Efficiencies and new savings	-13,149	-12,078	-12,693	-12,923	-13,340
Service reductions	-1,160	-1,160	-1,135	-1,105	-1,105
Service deletion	-335	-335	-335	-335	-335
<b>Total savings (phase 1)</b>	<b>-16,788</b>	<b>-14,510</b>	<b>-15,100</b>	<b>-15,300</b>	<b>-15,717</b>
<b>Saving proposals still to find (phase 2)</b>	<b>7,954</b>	<b>14,804</b>	<b>16,165</b>	<b>18,812</b>	<b>21,381</b>

5.4 In reducing the council's overall grant which incorporated the council tax support funding, the council estimates that the government has reduced the funding it gives to provide the scheme by around a further £1m in 2015/16. As a result, Cabinet is considering options to reduce the amount of council tax support the council provides working age claimants to ensure that the scheme continues to remain cost neutral. To achieve a cost neutral position on the council's own budget, the council would need to increase the reduction from its current 30% to 40% to deliver around £0.5m of savings. The decision to approve next year's scheme will be taken by Council in January 2015, having had regard to consultation feedback. This proposal has its own specific consultation process, but links back to the overall budget process.

5.5 The phase 1 budget proposals document can be found in appendix A. The second tranche of budget proposals will follow after Christmas and Members and interested parties will again be able to provide feedback on the second tranche of budget proposals.

## 6. CONSULTATION APPROACH

6.1 Cabinet have been working over a period of five months and several meetings with the cross party Budget Working Group to seek views on all Cabinet budget proposals including the opportunity to make alternative suggestions. As part of these meetings, the Budget Working Group explored options to commence consultation at the earliest opportunity

6.2 The budget process will have two phases for Cabinet to put forward budget proposals, recommending these proposals to two separate Council meetings. The first meeting held in December will be to consider the first tranche of budget proposals. The second meeting will be the formal process to set a lawful and balanced budget for the remaining budget proposals to be published during January 2015 and recommended by Cabinet for approval by Council on 4 March 2015. This timeline is outlined below:

Meeting	Content	Date
<b>Phase One (first tranche)</b>		
Cabinet	Release of first tranche of budget proposals	24 November 2014
Scrutiny	Formal scrutiny of budget proposals	3 December 2014
Cabinet	To recommend the first tranche of budget proposals to Council having regard to feedback	15 December 2014
Council	Approve the first tranche of budget proposals	17 December 2014

<b>Phase Two (second tranche)</b> including the remaining budget documents for council tax, reserves and the medium term financial strategy		
Cabinet	Release of second tranche of budget proposals	19 January 2015
Scrutiny	Formal scrutiny of budget proposals	9 February 2015
Cabinet	To recommend the second tranche of budget proposals to Council having regard to feedback	23 February 2015
Council	Approval of budget and council tax	4 March 2015

- 6.3 Alongside the budget process, there is a legislative requirement to approve the council's council tax support scheme annually each year. The timeline is as follows:

Meeting	Content	Date
Cabinet	Recommend the scheme to Council for approval	19 January 2015
Council	Approve the Council Tax Support Scheme	28 January 2015

- 6.4 The following budget events will be held during phase one to enable residents, partner organisations, businesses and other interested parties to feedback on budget proposals and council priorities:

- a) Staff meetings
- b) Discussion with the trade unions
- c) Discussion with the business community
- d) Borderline Peterborough Local Commissioning Group
- e) Peterborough Housing Partnership
- f) Greater Peterborough Partnership City Leaders forum
- g) Disability Forum
- h) Connect Group
- i) Schools Forum
- j) Parish Councils
- k) Peterborough Community Assistance Scheme
- l) Youth Council

- 6.5 A hard copy of the phase one budget proposals and Budget Conversation document will be available in all libraries and Town Hall and Bayard Place receptions. The council will also receive responses via an on-line survey on its website.

- 6.6 We will also promote the Budget Conversation through the local media and through the council's Facebook and Twitter accounts to encourage as many people as possible to have their say.

- 6.7 The Council will look to repeat this approach with the phase two proposals released in January.

## **7. BUDGET MONITORING 2014/15**

### **Revenue**

- 7.1 The September report to Cabinet identified the council's forecast year end position stood at a £1.3m over spend, summarising the key issues causing the overall overspend. The corporate management team continue to regularly review the council's financial position to deliver a balanced budget this year and based on the latest departmental reports the over spend has reduced to £0.7m. It is imperative that the budget is balanced by the end of the financial year to ensure that the council does not need to use reserves and will look to implement savings agreed in phase one as soon as possible alongside other mitigations identified by the corporate management team.

### **Capital**

- 7.2 The capital programme approved for 2014/15 within the MTFs was £260.8m and increased to £285.0m as a result from delays in projects from 2013/14 as summarised in the financial report to Cabinet in June 2014. Since the beginning of the financial year, there has been a further reduction in expected spend to £268.4m as at 31 October 2014. This is mainly due to a revision to the schools programme, deferring the affordable homes budget based on current schemes and various large slippages into future years. The spend to date is £49.0m with further spend to the end of the financial year still to be incurred of £219.4m if there is no change to the continuation of capital projects.
- 7.3 The Capital Programme is funded via three core elements, external third party income (including grants), capital receipts generated from the sale of Council assets, and borrowing.

## **8. ANTICIPATED OUTCOMES**

- 8.1 Following the release of the first tranche of budget proposals to tackle the financial gap and outlining Cabinet's priorities and vision for Peterborough, Cabinet is seeking the opinions of all residents, partner organisations, businesses and other interested parties to understand which council services matter most. The council must set a balanced budget for 2015/16 within the financial resources it will have next year and the feedback received will help inform Cabinet in considering budget proposals within the second tranche.

## **9. REASONS FOR RECOMMENDATIONS**

- 9.1 The Council must set a lawful and balanced budget. The approach outlined in this report work towards setting a lawful and balanced budget.

## **10 ALTERNATIVE OPTIONS CONSIDERED**

- 10.1 Cabinet considered releasing all budget proposals in the New Year after the provisional finance settlement announcement as Cabinet had done so over previous financial years. The cross party Budget Working Group expressed a desire to release budget proposals earlier than in previous years. Cabinet considered the cross party Budget Working Group's view and recognise that as work is continuing to identify and propose further budget proposals, and given the unprecedented scale of the savings to find, Cabinet agreed to publish their budget proposals in two stages.

## **11. IMPLICATIONS**

### **11.1 Elected Members**

Members must have regard to the advice of the Section 151 Officer. The Council may take decisions which are at variance with this advice, providing there are reasonable grounds to do so.

It is an offence for any Members with arrears of Council Tax which have been outstanding for two months or more to attend any meeting of the Council or its committees at which a decision affecting the budget is made, unless the Members concerned declare at the outset of the meeting they are in arrears and will not be voting on the decision for that reason.

## **11.2 Legal Implications**

In terms of the Council's executive arrangements, the adoption of the Council's Budget is a role shared between the Cabinet and the Council. The Cabinet (Leader) is responsible for formulating the budget proposals and full Council is responsible for approving (or not) those proposals and setting the budget and council tax requirement.

The principal purpose of the Budget is to set the upper limits of what the executive (Leader, Cabinet or officer under delegated executive authority) may decide to spend the Council's resources on. The Council cannot through the Budget overrule an executive decision as to how to spend the money, but the Budget will require the Cabinet to exercise their responsibilities for decision making so as not to make a decision where they are 'minded to determine the matter contrary to, or not wholly in accordance with the authority's budget'. This means that a decision that leads to excess expenditure, a virement from one budget heading to another over the amount allowed by Council in the Budget Book or expenditure of unexpected new money outside of the Budget is required to have approval of the Council before the Leader and Cabinet can make that decision.

When it comes to approve the budget on 4<sup>th</sup> March 2015, the Council is under a legal duty to meet the full requirements of section 31A of the Local Government Finance Act 1992 which includes the obligation to produce a balanced budget.

A principle of fairness applies to consultation on the budget proposals, both consultation under s65 of the Local Government Finance Act 1992 and that which operates as a set of rules of law. These rules are that:

1. consultation must be at a time when proposals are still at a formative stage;
2. the proposer must give sufficient reasons for any proposal to permit of intelligent consideration and response;
3. adequate time must be given for consideration and response; and
4. the product of consultation must be conscientiously taken into account in finalising any statutory proposals.

Added to which are two further principles that allow for variation in the form of consultation, which are

5. the public authority may be influenced by the identity of those whom it is consulting; and
6. the demands of fairness are higher when an authority contemplates depriving someone of an existing benefit or advantage as opposed to removing a future benefit.

It should be noted that the consultation to be undertaken as a result of this report is on the Budget proposals, and consequently the Cabinet's general approach to the phased process. It is not on the various decisions to take whatever actions that may be implicit in the proposals and later adoption of that budget, each of which may or may not require their own consultation process.

## **11.3 Human Resource Implications**

In order to deliver the phase one changes outlined in this document the council is proposing to restructure a number of teams and departments which may result in a number of posts being affected. The table below explains the staffing implications including the outcome of the recent voluntary redundancy process.

The council's approach to minimising any compulsory redundancies will be the same as in other years, including deleting vacant posts, redeployment of affected staff and seeking voluntary redundancies where we are able to do so.

This information relates to council staff only. The phase one proposals will also impact on the council's partners. Cabinet will outline the impact of the phase two proposals when they are published in January.

<b>Staff implications</b>	<b>Total</b>
Total number of affected posts	55
Less vacant posts to be deleted	-12
<b>Posts be to found through redundancies</b>	<b>43</b>
Less voluntary redundancy acceptances	-13
<b>Compulsory redundancy total</b>	<b>30</b>

In addition to the figures in the table above, the council has accepted a further five voluntary redundancies for various reasons.

#### **11.4 Equality Impact Assessments**

All budget proposals published in this first tranche have been considered with regards to equality issues and where appropriate equality impact assessments have been completed and available on the council's website.

## **12. BACKGROUND DOCUMENTS**

n/a

Appendix A – Phase 1 Budget Proposals

This page is intentionally left blank